1   L. KIERAN KIECKHEFER (SBN 251978)
     kkieckhefer@mwe.com

2   McDERMOTT WILL & EMERY LLP
     275 Middlefield Road, Ste. 100

3   Menlo Park, CA 94025
     Telephone: 650-815-7400

4   Facsimile: 650-815-7401

5   JOHN J. DABNEY (*Admitted Pro Hac Vice*)
     jdabney@mwe.com

6   MARY D. HALLERMAN (*Admitted Pro Hac Vice*)
     mhallerman@mwe.com

7   MCDERMOTT WILL & EMERY LLP
     500 North Capitol Street NW

8   Washington, D.C. 20001
     Telephone: 202-756-8000

9   Facsimile: 202-756-8087

10   Attorneys for Defendant
     HANCOM, INC.,

11

12   UNITED STATES DISTRICT COURT

13   NORTHERN DISTRICT OF CALIFORNIA

14   SAN FRANCISCO DIVISION

15

16   ARTIFEX SOFTWARE, INC.,   CASE NO. 3:16-cv-06982-JSC

17   Plaintiff,   **DEFENDANT HANCOM, INC.'S MOTION
                                              FOR PARTIAL SUMMARY JUDGMENT
18   v.   ON THE MONETARY RELIEF
                                              AVAILABLE TO PLAINTIFF ARTIFEX
19   HANCOM, INC.,   SOFTWARE, INC. ON ITS BREACH OF
                                              CONTRACT CLAIM**
20   Defendant.
                                              Date: August 17, 2017
21   Time: 9:00 a.m.
                                              Judge: Hon. Jacqueline Scott Corley
22   Dept.:   Ctrm F, 15th Floor

23

24

25

26

27

28

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

McDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

NOTICE OF MOTION AND MOTION

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that on August 17, 2017, at 9:00am, or as soon thereafter as counsel may be heard, in the courtroom of the Honorable Jacqueline Scott Corley, San Francisco Courthouse, Courtroom F, 15th Floor, 450 Golden Gate Avenue, San Francisco, CA 94102, Defendant Hancom, Inc., ("Hancom") will and does hereby move this Court for an order, pursuant to Rule 56 of the Federal Rules of Civil Procedure, entering partial summary judgment that Plaintiff Artifex Software, Inc. ("Plaintiff) cannot recover as a matter of law monetary relief in the form of a reasonable royalty, accounting of profits, disgorgement, restitution, or unjust enrichment on its claim for breach of contract and that any form of monetary relief awarded for breach of contract cannot be based on acts or omissions transpiring after March 10, 2008, the date that Hancom breached the contract (if it breached the contract at all) and the contract automatically terminated.

This motion is based upon this Notice of Motion and Motion for Partial Summary Judgment, the attached Memorandum of Points and Authorities, the Declaration of Wangsung Yang, and the Declaration of John J. Dabney, and the exhibits thereto. A proposed order is included with this Motion.

Dated: June 30, 2017

Respectfully submitted,

McDERMOTT WILL & EMERY LLP

By:*/s/ L. Kieran Kieckhefer*
    L. Kieran Kieckhefer

Attorneys for Defendant
HANCOM, INC.,

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

TABLE OF CONTENTS

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

TABLE OF AUTHORITIES

Page(s)

Cases

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

TABLE OF AUTHORITIES
CONTINUED

Page(s)

Cases

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

- iii -

TABLE OF AUTHORITIES
CONTINUED

Page(s)

1

INTRODUCTION

2   Plaintiff Artifex Software, Inc. alleges that Defendant Hancom, Inc. "abused Artifex's

3   altruism" by breaching the GNU General Public License ("GNU GPL"), the free, open-source

4   license used by Plaintiff to license its Ghostscript software program.[1] Compl. ¶¶ 2-3. But this case

5   has nothing to do with "altruism"—it is strictly about the money.

6   Unsatisfied with the scope of monetary relief available through its copyright claim,

7   Plaintiff persists in its quest to obtain monetary relief through its claim for breach of the GNU

8   GPL, which does not contain any sort of provision requiring the payment of money to Plaintiff.[2]

9   It is clear that Plaintiff wants to parlay Hancom's alleged breach of a royalty-free license into a

10   moneymaking opportunity. By its own terms, the GNU GPL did not require Hancom to pay

11   money to Plaintiff under any circumstances and it automatically terminated on March 10, 2008,

12   the first day Hancom sold software which used Ghostscript.

13   As monetary relief for its contract claim, Plaintiff nevertheless insists that Hancom must

14   pay a reasonable royalty, and disgorge its profits and alleged unjust enrichment from sales of

15   software which used Ghostscript through August 25, 2016, the date Ghostscript was removed

16   from the software. But the GNU GPL is a non-monetary contract that ended as soon as it began,

17   and Artifex cannot attempt to replace it with a commercial license that the parties never

18   discussed, let alone entered into. That Plaintiff offers commercial licenses requiring payment for

19   the same software it licenses under the GNU GPL is of no moment in this case—it is undisputed

20   that Hancom never entered into a commercial license with Plaintiff. The GNU GPL is the only

21   contract which Plaintiff alleges Hancom breached, and the GNU GPL does not require Hancom to

22   pay any money whatsoever to Plaintiff.

23

24   ---

[1] Hancom contends that it did not breach the GNU GPL, but solely for purposes of this motion,
assumes that Plaintiff can establish that Hancom breached the GNU GPL in the manner alleged
25   by Plaintiff.

[2] Plaintiff has previously tried to monetize its open-source software into lucrative settlements, but
26   this is the first time that Plaintiff has asserted a claim for breach of the GNU GPL in addition to a
claim for copyright infringement. *See* Complaint, *Artifex Software, Inc. v. Diebold, Inc.*, Case No.
27   3:08cv4837 (N.D. Cal. filed Oct. 22, 2008); Complaint, *Artifex Software, Inc. v. Palm, Inc.*, Case
No. 5:09cv5679 (N.D. Cal. filed Dec. 2, 2009).
28

- 1 -

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1   Plaintiff will not be without monetary relief in this case if the Court grants Hancom's

2   Motion, as Plaintiff has also alleged a copyright claim. If Plaintiff establishes liability on its

3   copyright claim, Plaintiff could recover its actual damages and Hancom's profits attributable to

4   the infringement, based on Hancom's allegedly infringing sales in the United States, or,

5   alternatively, statutory damages. *See* 17 U.S.C. § 504; *Subafilms, Ltd. v. MGM-Pathe*

6   *Communications Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994).

7   Hancom files this motion for partial summary judgment to obtain a ruling on a narrow,

8   basic issue of contract law which Plaintiff simply refuses to accept: the monetary relief which

9   Plaintiff can recover on its contract claim cannot exceed that which it would have received if

10   Hancom had not allegedly breached the GNU GPL. Thus, Plaintiff, for example, cannot receive a

11   reasonable royalty on Hancom's software sales: the GNU GPL does not have a royalty provision.

12   Plaintiff cannot recover Hancom's profits from Hancom's sales: the GNU GPL does not require

13   the payment of any money under any circumstances to Plaintiff. Plaintiff cannot recover unjust

14   enrichment or disgorgement: as Plaintiff contends, there was a contract between the parties—the

15   GNU GPL. And as a matter of law, Plaintiff cannot recover these remedies (or any other

16   monetary remedies for that matter) over the course of nine years through its contract claim, when,

17   by Plaintiff's own admission, the GNU GPL ended just as soon as it began.

STATEMENT OF FACTS

A.   *Plaintiff and the GNU GPL*

20   1.   Plaintiff is a software company which licenses Ghostscript, a computer program

21   that facilitates the display and printing of certain file types through the interpretation of page

22   description language files. Compl. ¶ 1. Plaintiff has chosen to license Ghostscript to third parties

23   under the GNU General Public License Version 3.0 ("GNU GPL") or under a commercial

24   license. *See* Compl. ¶¶ 17-18 & Ex. 1 thereto (GNU GPL).

25   2.   The GNU GPL is a free or open-source, non-exclusive form license. *See* Compl. ¶

26   1 & Ex. 1 thereto (GNU GPL Preamble). The GNU GPL is "designed to make sure that [a

27   licensee has] the freedom to distribute copies of free software (and charge for them if [a licensee]

28   wish[es]." Compl. Ex. 1 (GNU GPL Preamble).

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

3.   There is no provision in the GNU GPL which requires a licensee to pay money to Plaintiff—whether royalties, licensing fees, or any other monies—for use of Ghostscript. *See* Compl. Ex. 1; *see also* Pl.'s Opp'n Mot. Dismiss (Dkt. No. 27) at 3 (stating that licensees of Ghostscript under the GNU GPL "license Ghostscript under the GNU GPL **without paying a fee**" (emphasis added)); *id.* at 13 (observing "the **absence of a required licensing fee** in the GNU GPL" (emphasis added)).

4.   There is no liquidated damages provision in the GNU GPL. *See* Compl. Ex. 1 (GNU GPL).

5.   The GNU GPL does not require that a party enter into a commercial license with Plaintiff if the party does not accept the GNU GPL. *See* Compl. Ex. 1; Pl.'s Opp'n Mot. Dismiss (Dkt. No. 27) at 3 (acknowledging that "[a] third party can likewise infringe Artifex's copyright in Ghostscript . . . if the third party does not license Ghostscript under the GNU GPL or a commercial license from Artifex").

6.   Plaintiff asserts that the GNU GPL was a valid contract between Plaintiff and Hancom. Compl. ¶ 21 & Ex. 1 thereto (GNU GPL). The GNU GPL is the only contract which Plaintiff contends Hancom breached. *See* Compl. ¶¶ 33-36.

7.   Hancom **never** discussed or entered into a commercial license with Plaintiff, nor did the GNU GPL or anything else obligate Hancom to do so. *See* Declaration of Wangsung Yang ("Yang Decl.") ¶ 4; Pl.'s Opp'n Mot. Dismiss (Dkt. No. 27) at 3.

B.   *Hancom's Use of Ghostscript and Plaintiff's Claim for Breach of the GNU GPL*

8.   Hancom is a software company headquartered in South Korea. Yang Decl. ¶ 3. Hancom has developed a variety of software programs, including Hangul, a word processing program for the Korean language, and Hancom Office, a suite of three software programs including Hangul. Yang Decl. ¶ 3.

9.   Hancom previously used Ghostscript in its Hangul, and thus Hancom Office, software. Yang Decl. ¶ 4. Hancom first sold Hangul and Hancom Office which used Ghostscript on or about March 10, 2008 and continuously sold such software until approximately August 25, 2016, when Ghostscript was permanently removed from those programs. Yang Decl. ¶ 4.

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

10.   Plaintiff's Complaint asserts that Hancom breached Section 6 of the GNU GPL by "failing to provide [or offering to provide] the source code of Hangul and Hancom Office" while those programs used Ghostscript. Compl. ¶¶ 23-25, 34. Plaintiff first objected to Hancom's use of Ghostscript by letter dated June 15, 2016. Yang Decl. ¶ 4.

11.   Hancom did not distribute the source code for Hangul and Hancom Office during the period in which those software programs used Ghostscript, i.e., from March 10, 2008 until August 25, 2016, when Hancom permanently removed Ghostscript from Hangul and Hancom Office. Yang Decl. ¶¶ 4-5.

C.   *The GNU GPL Automatically Terminated Upon Hancom's Breach*

12.   Section 8 of the GNU GPL provides: "You may not propagate or modify a covered work as expressly provided under this License. Any attempt otherwise to propagate or modify it is void, and **will automatically terminate your rights** under this License. . . ." Compl. Ex. 1 (GNU GPL § 8) (emphasis added).

13.   Plaintiff alleges that Hancom's failure to distribute the source code for its software programs during the time those programs used Ghostscript breached the GNU GPL and automatically terminated Hancom's rights to distribute the programs under Section 8 of the GNU GPL. Compl. ¶ 28 ("Hancom's failure to distribute source code along with [Hancom's] software constitutes breach of the requirements set forth in the GNU GPL . . . . Hancom's right to copy or distribute Ghostscript was **terminated upon these acts**." (emphasis added)); Pl.'s Opp'n Mot. Dismiss (Dkt. No. 27) at 4 (stating that Hancom breached the GNU GPL when it failed to distribute or offer to distribute the source code for its software which used Ghostscript and thus "Hancom's rights to modify or distribute then terminated such that **each subsequent modification or distribution of Ghostscript by Hancom was unauthorized and constituted copyright infringement**."(emphasis added)); Declaration of John J. Dabney ("Dabney Decl.") & Ex. 1 thereto (Pl.'s Resp. Interrog. No. 7) ("Hancom's **violation** of the GNU GPL by failing to provide or offer to provide the corresponding source code for its software when distributing it to end users constituted a breach of the GNU GPL. Hancom's rights to reproduce, modify, and distribute Ghostscript under the GNU GPL **subsequently terminated** . . . ." (emphasis added)).

HANCOM'S MOTION FOR PARTIAL SUMMARY JUDGMENT CASE NO. 3:16-CV-06982-JSC

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

14.   Through its claim for breach of the GNU GPL, Plaintiff seeks to recover monetary relief in the form of a reasonable royalty on Hancom's sales of software that included Ghostscript and disgorgement of Hancom's profits from those sales. Compl. ¶ 36; *id.* Prayer for Relief ¶¶ 2, 6; Dabney Decl. Ex. 1 (Pl.'s Resp. Interrog. No. 7).[3] Plaintiff seeks similar forms of monetary relief with respect to its copyright claim, which is based on Hancom's sales of software that used Ghostscript after its rights under the GNU GPL terminated. *See* Compl. ¶ 43; *id.* Prayer for Relief ¶¶ 4, 5; Pl. Opp'n Mot. Dismiss (Dkt. No. 27) at 4 (after Hancom's first sale that failed to comply with the GNU GPL, stating that "**each subsequent modification or distribution of Ghostscript was unauthorized and constituted copyright infringement**" (emphasis added)).

15.   Had Hancom fully performed under the GNU GPL, Plaintiff would have received **no money**—royalties, licensing fee, profits, or otherwise—from Hancom. *See* Compl. Ex. 1 (GNU GPL).

LEGAL STANDARD

Summary judgment should be granted on an issue "when there is no dispute of material fact, and the moving party is entitled to judgment as a matter of law." *Netbula, LLC v. BindView Dev. Corp.*, 516 F. Supp. 2d 1137, 1147 (N.D. Cal. 2007); Fed. R. Civ. P. 56. Summary judgment need not dispose of the entire case or even an entire claim: instead, the court can summarily resolve discrete issues as to which there is no question of material fact, including whether plaintiff is entitled to certain types of damages. *See, e.g.*, *Navcom Tech., Inc. v. Oki Elec. Indus. Co.*, Case No. 5:12-cv-4175, 2014 U.S. Dist. LEXIS 32159, at *32-42 (N.D. Cal. Mar. 11, 2014) (granting summary judgment to defendant on plaintiff's claimed damages for breach); *Montgomery v. Wal-Mart Stores, Inc.*, 12-CV-3057 AJB (DHB), 2015 WL 11234134, at *1 (S.D. Cal. Oct. 20, 2015) (summarily determining that plaintiff is not entitled to punitive damages, and dismissing that request from complaint).

Here, there is no genuine issue of material fact that Plaintiff **cannot**, as a matter of law, recover certain forms of monetary relief for its contract claim, and the Court should enter

---

[3] Plaintiff has conceded that "exemplary damages" are unavailable for its contract claim, and the Court has deemed that request withdrawn. Apr. 25, 2017 Order (Dkt. No. 32) at 10.

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

1   summary judgment in favor of Hancom on these discrete issues.

2   **I.   PLAINTIFF CANNOT RECOVER A REASONABLE ROYALTY OR HANCOM'S**

3   **PROFITS FOR ITS BREACH OF CONTRACT CLAIM AS A MATTER OF LAW.**

4   Through its breach of contract claim, Plaintiff seeks to recover monetary relief in the form

5   of a reasonable royalty on Hancom's sales of software which used Ghostscript or Hancom's

6   profits from those sales. The GNU GPL—the only contract Plaintiff alleges Hancom has

7   breached—contains no provision that requires Hancom to pay Plaintiff any money under any

8   circumstances. Statement of Facts ("SOF") ¶¶ 3-4, 15. California law and fundamental principles

9   of contract law bar Plaintiff's requested relief.

10   **A.   <u>Damages in the Form of a Reasonable Royalty or Hancom's Profits Would</u>**

11   **<u>Rewrite the GNU GPL.</u>**

12   Contract damages "approximate the agreed-upon performance" that the plaintiff would

13   have received had the defendant not breached a contract. *Lewis Jorge Const. Mgmt., Inc. v.*

14   *Pomona Unified Sch. Dist.*, 34 Cal. 4th 960, 967 (2004) (quoting *Applied Equipment Corp. v.*

15   *Litton Saudi Arabia Ltd.*, 7 Cal. 4th 503, 515 (1994)). Because the goal of contract damages is to

16   compensate the plaintiff—not to deter or punish the defendant—"the party injured by breach

17   should receive as nearly as possible the equivalent of the benefits of performance [by the

18   breaching party]." 1 Witkin, Summary of Cal. Law, Contracts § 813 (10th ed.). That fundamental

19   principle of contract law is enshrined into the California Civil Code: "[n]o person can recover a

20   greater amount in damages for breach of an obligation he could have gained by the full

21   performance thereof on both sides." Cal. Civ. Code § 3358.

22   *1.   Plaintiff is not entitled to a reasonable royalty as a matter of law.*

23   Plaintiff seeks a reasonable royalty on Hancom's sales of the software programs which

24   used Ghostscript. But it is undisputed that the GNU GPL did not require Hancom to pay Plaintiff

25   any royalties on sales of Hancom software which used Ghostscript. SOF ¶ 3. It is also undisputed

26   that the GNU GPL does not contain a liquidated damages provision. SOF ¶ 4. Indeed, if Hancom

27   had fully performed the GNU GPL, Plaintiff would have received **<u>no money</u>** from Hancom. SOF

28   ¶ 15. The GNU GPL is the only contract which Plaintiff contends Hancom breached, and while

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

MCDERMOTT WILL & EMERY LLP
ATTORNEYS AT LAW
MENLO PARK

1   Plaintiff's commercial licenses may require a payment of money to Plaintiff, the parties never

2   discussed or entered such a license. SOF ¶¶ 6-7. Plaintiff cannot rewrite the terms of the GNU

3   GPL in this litigation and insert a royalty provision where one does not exist. *See, e.g.*, *Susteen*

4   *Inc. v. Sourcenext Corp.*, 266 Fed. App'x 690, 691 (9th Cir. Feb. 14, 2008) (rejecting plaintiff's

5   invitation to insert a liquidated damages provision into a contract).

6   Courts have repeatedly rejected attempts to rewrite contracts through the imposition of a

7   reasonable royalty remedy where the contract that was breached did not provide for one. In *Jill*

8   *Stuart (ASIA) LLC v. Sanei International Co.*, Ltd., 12 Civ. 3699, 2013 U.S. Dist. LEXIS 89046

9   (S.D.N.Y. June 17, 2013), *aff'd on other grounds*, 566 Fed. App'x 29 (2d Cir. May 14, 2014), the

10   plaintiff sued the defendant for breach of contract under New York law and copyright

11   infringement based on defendant's unauthorized use of plaintiff's copyrighted fabric print. *Id.* at

12   *1-2. The plaintiff sought a reasonable royalty as damages for its contract claim, even though the

13   contract did not contain a royalty provision. *Id.* at *12-13. The defendant moved for summary

14   judgment on plaintiff's reasonable royalty damages. *Id.* at *1-2.

15   In entering summary judgment for the defendant, the court explained that—like California

16   law—"[t]he goal of damages for a breach of contract under New York law is to place the non-

17   breaching party in the position it would have found itself had the contract been performed." *Id.* at

18   *9 (citation omitted). Rejecting plaintiff's request for a reasonable royalty, the Court held that

19
20   [H]ere the cause of action is not for copyright infringement, but rather for breach
         of contract. Plaintiffs point to no legal authority for their theory of 'contractual
21   copyright infringement . . . . The only breach of contract case they cite involved
         the breach of an express royalty provision—**and no such provision exists
         here**[.]"
22

23   *Id.* at *12-13 (emphasis added).

24   Unsurprisingly, other courts have reached the same result. *See, e.g.*, *Document Sec. Sys. v.*

25   *Coupons.com*, 55 F. Supp. 3d 485, 496 (W.D.N.Y. 2014) (recovery of reasonable royalty not

26   permitted where "agreement itself did not provide for royalties"); *SPSS, Inc. v. Nie*, No. 08 C 66,

27   2009 U.S. Dist. LEXIS 73863, at *7 (N.D. Ill. Aug. 19, 2009) (observing that plaintiff could not

28   "claim damages on a breach of contract theory since the License Agreement was royalty-free");

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1 *Jim Beam Brands Co. v. Tequila Cuervo LA Rojena S.A. DE C.V.,* 600122/2008, 2011 N.Y.

2 Misc. LEXIS 7257, at *10-11 (Sup. Ct. N.Y. July 12, 2011) (refusing to impose reasonable

3 royalty remedy because plaintiff "has not provided any precedent to support an award for

4 reasonable royalty damages in a breach of contract case").

5   The same is true here. The GNU GPL is the only contract which Plaintiff alleges that

6 Hancom breached. SOF ¶ 6. Plaintiff's insistence on a reasonable royalty is an attempt to

7 transform the GNU GPL into a commercial license, which the parties never discussed or entered

8 into, in order to recoup a windfall. Because the GNU GPL does not contain a royalty provision,

9 Plaintiff cannot recover damages as a matter of law for breach of the GNU GPL in the form of a

10 reasonable royalty.[4] *See* Cal. Civ. Code § 3358.

2. *Plaintiff is not entitled to Hancom's profits as a matter of law.*

12   For similar reasons, Plaintiff cannot recover as damages for its contract claim Hancom's

13 profits from the sale of software which included Ghostscript. There is no provision in the GNU

14 GPL that requires Hancom or any licensee to pay any sort of profits to Plaintiff. SOF ¶¶ 3-4, 15.

15 Plaintiff's commercial licenses with other parties may contain such a provision, but it is

16 undisputed that the GNU GPL is the only contract which Plaintiff alleges Hancom breached. SOF

17 ¶ 6.

18   Contract damages are measured by what the plaintiff would have received if the defendant

19 had fully performed under the contract. *See Lewis Jorge*, 34 Cal. 4th at 967-68, 102 P.2d at 261

20 Contract damages are not measured by "the benefits gained by the promisor as a result of the

21 breach." 24 Williston on Contracts § 64:1 (4th ed.). Had Hancom fully performed under the GNU

22 GPL, Plaintiff would have received no money from Hancom. SOF ¶ 15. An award of Hancom's

23

---

24 [4] Plaintiff may rely on *Fox Broad Co. v Dish Network LLC*, 160 F. Supp. 3d 1139 (C.D. Cal.
2015), in opposing this Motion. But that case has no force. There, the court denied defendant's

25 summary judgment motion and allowed plaintiff's request for a reasonable royalty for damages
for certain claimed breaches of a retransmission agreement to proceed to trial. *Id.* at 1179-1180.

26 The agreement at issue granted Dish the rights to retransmit content shown on Fox's affiliate
stations. *Id.* at 1151. Importantly, Dish was contractually obligated to **pay money to Fox each**

27 **year** in exchange for those rights. *Id.* Here, by contrast, the GNU GPL does not require the

28 payment of money to Plaintiff under any circumstances. SOF ¶¶ 3-4, 15.

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1   profits on Plaintiff's contract claim would thus necessarily mean that Plaintiff received *more*

2   money than it would have received if Hancom had fully performed under the GNU GPL. *See,*

3   *e.g., Document Sec. Sys.*, 55 F. Supp. 3d at 496 ("Consequently, even assuming that Defendant

4   breached the agreement, Plaintiff did not suffer any expectation damages thereby, and any

5   payment that it now receives would place it in a better position than if the contract had been

6   performed."); *Jim Beam*, 2011 N.Y. Misc. LEXIS 7257, at *10 ("Jim Beam's theory of damages

7   based on Cuervo's tequila profits does not translate into a benefit that Jim Beam would have

8   received had the Agreement not been breached."). Such an award would violate California Civil

9   Code § 3358: "[N]o person can recover a greater amount in damages for breach of an obligation

10 than he could have gained by the full performance thereof on both sides."

11   The Court should thus enter summary judgment in favor of Hancom on Plaintiff's request

12 for damages on its contract claim in the form of a reasonable royalty or Hancom's profits from

13 sales of its software which used Ghostscript.

14   **B.   Plaintiff Cannot Recover Unjust Enrichment or Disgorgement for Its Breach**
            of Contract Claim as a Matter of Law.

15

16   Through its breach of contract claim, Plaintiff also seeks disgorgement of Hancom's

17 profits in the form of a reasonable royalty and recovery of "unjust enrichment." SOF ¶ 14.

18 Plaintiff attempts to bypass the very same express contract—the GNU GPL—it contends Hancom

19 breached. Plaintiff is not entitled to such forms of relief as a matter of law.

20   Under California law, unjust enrichment does not lie where there is an enforceable

21 agreement that defines the rights of the parties. *See, e.g., McKesson HBOC, Inc. v. New York*

22 *State Common Retirement Fund, Inc.*, 339 F.3d 1087, 1091 (9th Cir.2003). Indeed, a claim for

23 unjust enrichment "is inconsistent and incompatible with a related claim for breach of contract[.]"

24 *Rosal v. First Fed. Bank of Cal.*, 671 F. Supp. 2d 1111, 1133 (N.D. Cal. 2009) (dismissing claim

25 for "unjust enrichment" due to express contract between parties). Plaintiff alleges that the GNU

26 GPL is the express—and only—contract that governed Hancom's use of Ghostscript. SOF ¶¶ 5-7.

27 Because it is undisputed that the GNU GPL did not require Hancom to pay money to Plaintiff,

28 SOF ¶¶ 3-4, 15, Plaintiff's requested remedies for its contract claim of unjust enrichment and

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1   disgorgement fail as a matter of law. *See, e.g.*, *Move, Inc. v. Beardsley,* CV 14-9893 DSF (EX),

2   2016 WL 6106729, at *3 (C.D. Cal. Mar. 10, 2016) (granting summary judgment and rejecting

3   plaintiff's contention that it was entitled to disgorgement of defendant's profits for breach of

4   contract, reasoning that plaintiff would not have received those profits if defendant had not

5   breached); *Spinelli v. NFL*, 96 F. Supp. 3d 81, 134 (S.D.N.Y. 2015) (dismissing plaintiff's unjust

6   enrichment claim based on alleged improper use of plaintiffs' photographs because a written

7   license agreement governed the parties' rights).

8   To compel Hancom to disgorge its profits "is not only unnecessary to make [Plaintiff]

9   whole, but it would [] provide[] a windfall by awarding [it] more than [it] would have collected

10   absent the breach." *Antonick v. Elec. Arts Inc.*, No. C 11-1543, 2014 U.S. Dist. LEXIS 7924, at

11   *43 (N.D. Cal. Jan. 22, 2014), *aff'd on other grounds,* 841 F.3d 1062 (9th Cir. 2016). The Court

12   should award summary judgment to Hancom with respect to this requested remedy.

13   **II.   THE MONETARY RELIEF THAT PLAINTIFF CAN RECOVER ON ITS
             CONTRACT CLAIM MUST BE LIMITED TO THE PERIOD THE GNU GPL**
14   **WAS IN EFFECT.**

15   Plaintiff's available monetary relief for its contract claim, if any, is further circumscribed

16   by the automatic termination of the GNU GPL upon Hancom's alleged breach. *See* SOF ¶¶ 11-15.

17   The GNU GPL states that a licensee "may not propagate or modify a covered work except as

18   expressly provided under this License. Any attempt to otherwise propagate or modify it is void,

19   and will **automatically terminate** your rights under this License[.]" SOF ¶ 11 (emphasis added).

20   Plaintiff previously interpreted this provision to mean that, upon Hancom's alleged breach, only

21   Hancom's rights to use Ghostscript in its software terminated, rather than the GNU GPL. *See*

22   Pl.'s Opp'n Mot. Dismiss (Dkt. No. 27) at 13. That interpretation is ridiculous on its face and

23   violates California statutes governing contract interpretation. Cal. Civ. Code §§ 1638; 1643. A

24   contract requires mutuality—if Hancom's rights under the GNU GPL terminated, the GNU GPL

25   must have necessarily terminated as a matter of law. *See Doe v. Culverwell*, 35 Cal. 291, 295

26   (1868) ("To be obligatory on either party, a contract must be mutual and reciprocal in its

27   obligations."); *Miottel v. Cohen*, A107087 and A108192, 2005 Cal. App. Unpub. LEXIS 10578,

28   at *12-13 (Nov. 18, 2005) (affirming trial court's sustaining of demurrer where plaintiff's

- 10 -

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1   interpretation of contract provision, "even if the literal language of the subject clause supported it,

2   was "quixotic" and "one-sided" and "unreasonable as a matter of law").

3   Assuming solely for purposes of this Motion that, as Plaintiff alleges, Hancom breached

4   the GNU GPL by failing to distribute the source code for its Hangul and Hancom Office software

5   which used Ghostscript, the GNU GPL automatically terminated on or about March 10, 2008, as

6   soon as Hancom first sold that software without distributing that software's source code. SOF ¶¶

7   8-12. And because Hancom did not distribute the source code for its software during the period in

8   which that software used Ghostscript, the GNU GPL was never reinstated. SOF ¶¶ 11, 13.

9   Plaintiff cannot recover damages through its contract claim for Hancom's sales of Hangul

10   and Hancom Office which used Ghostscript that were made **after** the GNU GPL automatically

11   terminated on or about March 10, 2008. Such sales—by definition—did not breach the GNU GPL

12   because the GNU GPL had terminated. *See, e.g.*, *CitriLite Company v. Cott Beverages, Inc.*, 721

13   F. Supp. 2d 912, 936 (E.D. Cal. 2010) (where contract terminated upon expiration of the 60-day

14   notice period, "Citri-Lite could not reasonably expect further performance or royalty payments

15   from the Agreement beyond that point. . . . **To the extent Citri-Lite seeks damages for lost**

16   **royalty payments beyond the termination of the Agreement, Plaintiff is barred from**

17   **recovering those damages**." (emphasis added)); *Martin v. UHaul Co. of Fresno*, 204 Cal. App.

18   3d 396, 410-411 (1988) (holding that plaintiff could only recover damages for the period before

19   the contract terminated upon defendant's breach). Where a contract provides for automatic

20   termination, a non-breaching party cannot choose whether to enforce termination or seek other

21   remedies—**the contract terminates by its very terms**. *See, e.g., Natural Alternatives, LLC v. JM*

22   *Farms*, Civil Action No. 12-333-KKC, 2016 U.S. Dist. LEXIS 135565, at *4-6 (E.D. Ky. Sept.

23   30, 2016).

24   Plaintiff chose to license Ghostscript under a non-exclusive, royalty-free form license with

25   an automatic termination provision. SOF ¶¶ 1-2, 12. As the Ninth Circuit has recognized, even

26   where a license contains a royalty provision, "[u]nder California law . . . if a licensor elects to

27   terminate a license agreement upon the licensee's breach, the obligation to pay future royalties

28   ceases as well." *Susteen Inc v. Sourcenext Corp.*, 266 Fed. App'x 690, 691 (9th Cir. Feb. 14,

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1   2008) (citations omitted) (affirming grant of summary judgment holding that plaintiff was not

2   entitled to receive post-termination royalty payments); *Fageol & Tate v. Baird-Bailhache Co.*,

3   138 Cal. App. 1, 5 (1931) (denying post-termination royalties because, "having elected to

4   terminate the contract, [the licensors] can only recover what was due under it at the date of its

5   termination"). Plaintiff's recovery of any monies for breach of contract based on acts or

6   omissions after March 10, 2008 would violate basic maxims of California contract law. *See* Cal.

7   Civ. Code §§ 3358, 3359 ("Damages must, in all cases, be reasonable[.]"); *see, e.g.*, *Postal*

8   *Instant Press, Inc. v. Sealy*, 43 Cal. App. 4th 1704, 1715 (1996) (award of lost future royalties

9   under terminated franchisor-franchisee agreement would "distort the relationship between the

10   breach and remedy" and violate Cal. Civ. Code § 3359).

11   After the automatic termination of the GNU GPL on March 10, 2008, any allegedly

12   unauthorized use of Ghostscript by Hancom is not subject to the contract and Plaintiff cannot

13   recover damages through its contract claim for Hancom's post-March 10, 2008 sales. As Plaintiff

14   acknowledges, if Plaintiff proves Hancom is liable for copyright infringement, Plaintiff can

15   pursue monetary relief for Hancom's post-termination sales in the United States through its

16   copyright claim. *See* 17 U.S.C. § 504; *see* SOF ¶¶ 12, 14 (contending that, after the GNU GPL

17   terminated upon Hancom's first sale of software which used Ghostscript without the software's

18   source code, "**each subsequent modification or distribution of Ghostscript by Hancom was**

19   **unauthorized and constituted copyright infringement**."). But as a matter of law, assuming

20   Hancom breached the GNU GPL in the manner in which Plaintiff contends, Plaintiff cannot

21   recover through its contract claim for Hancom's sales of software which used Ghostscript after

22   March 10, 2008.[5]

23

24   ---

[5] Plaintiff also claims that Hancom's failure to distribute the source code for its software which used Ghostscript deprived Plaintiff of "improved notoriety of Ghostscript, the sharing of new ideas for how to use Ghostscript, lead generation for possible commercial licensing of Ghostscript, and the improvement of Ghostscript and interpreter technologies through knowledge-sharing inherent in the sharing of open source software." Dabney Decl. Ex. 1 (Artifex Resp. Interrog. No. 7). In a decision concerning the breach of an open-source license, the Federal Circuit held that the calculation of damages for those same alleged harms is "**inherently speculative**." *Jacobsen v. Katzer*, 535 F.3d 1373, 1382 (Fed. Cir. 2008) (emphasis added) (noting that open-source licenses "might well be rendered meaningless absent the ability to enforce

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC

1

CONCLUSION

2   For the foregoing reasons, Hancom asks that the Court enter summary judgment that (1)

3   Plaintiff cannot recover as a matter of law a reasonable royalty or Hancom's profits as any form

4   of damages for Plaintiff's contract claim, (2) Plaintiff cannot recover as a matter of law

5   disgorgement of Hancom's profits, restitution, or unjust enrichment, as remedies for Plaintiff's

6   contract claim, and (3) Plaintiff cannot recover as a matter of law any monetary relief for

7   Hancom's alleged breach of the GNU GPL after March 10, 2008, the date the GNU GPL

8   automatically terminated.

9

10   Dated: June 30, 2017   Respectfully submitted,

11   McDERMOTT WILL & EMERY LLP

12

13   By:*/s/ L. Kieran Kieckhefer*

14   L. Kieran Kieckhefer

15   Attorneys for Defendant
                                         HANCOM, INC.

16

17

18

19

20

21

22

23

24

25   through injunctive relief" because of the speculative nature of quantifying damages for breach of

26   such licenses). While Hancom is not seeking summary judgment on Plaintiff's request for these
    alleged damages in this Motion, it is almost certain that Plaintiff cannot prove them up. *See, e.g.,*

27   *Silicon Image, Inc. v. Analogic Semiconductor, Inc.,* 642 F. Supp. 2d 957, 964-65, 970 (N.D. Cal.
    2008) (granting summary judgment on counterclaim for damages for breach of contract where

28   there was "no evidence that would provide a reasonable basis for quantifying these damages").

HANCOM'S MOTION FOR PARTIAL
SUMMARY JUDGMENT
CASE NO. 3:16-CV-06982-JSC